



COMMITTEE of the WHOLE

CITY COUNCIL

MINUTES
November 15, 2010
4:30 P.M.

COUNCIL MEMBERS PRESENT:

F. Acosta, D. Reed, S. Marmarou, M. Goodman-Hinnershitz, J. Waltman, D. Sterner

OTHERS PRESENT:

L. Kelleher, S. Katzenmoyer, C. Younger, C. Geffken, C. Weidel, F. Denbowski, D. Cituk, D. Robinson

Mr. Acosta called the Finance Committee meeting to order at 4:47 p.m.

I. Berks EIT

Mr. Geffken introduced Rick Weiser from EIT. Mr. Weiser stated that he was in attendance to answer any questions Council had regarding their collection practices.

Mr. Waltman stated that he performed a comparison of other surrounding Pennsylvania cities. He stated that their EIT collection rate has remained stable while Reading's has decreased. He stated that the City does not actively pursue delinquents. He questioned how Berks EIT could assist the City in finding those residents who should be paying but are not. Mr. Weiser stated that employers submit employee lists to Berks EIT on a quarterly basis. He stated that beginning in 2011 employers will be requested to submit their employee lists on a monthly basis. He stated that the lists must supply the employee name and address. He stated that if these employees do not file tax returns, follow up notices are sent and then prosecuted as necessary.

Mr. Weiser explained that beginning in 2012 employers must withhold the home tax rate. He stated that withholding this increased rate decreases the number of residents who owe additional money but do not file tax returns. He stated that Berks EIT does not allow anyone

to carry outstanding balances into the next calendar year. Berks EIT can and does attach wages to receive outstanding balances. He stated that employers will be requested to begin collecting the increased home tax rate in 2011.

Mr. Waltman questioned if Berks EIT would begin collections in 2011 or 2012. Mr. Geffken stated that it would be 2011 and delinquent collections in 2012.

Mr. Waltman questioned how Berks EIT would locate those who are self-employed. Mr. Weiser stated that Berks EIT would be given the Business Privilege License information known by the City, along with the City's LST collection file, until Berks EIT can build their own files.

Mr. Waltman questioned if Berks EIT would look beyond the information given to them by the City to increase collections. Mr. Weiser stated that he would also hope that the City zoning, tax, and codes offices would forward business information to them on a regular basis. He also stated that Berks EIT has other data resources.

Mr. Waltman questioned how much of an increase Berks EIT could provide. Mr. Weiser stated that collections will improve but stated it would be too difficult to predict a specific amount or percentage at this time.

Mr. Waltman questioned if the Berks EIT process was different from the current City process. Mr. Weiser stated that it was.

Ms. Goodman-Hinnershitz questioned how the database would be maintained. She questioned the consistent communication of information from the City to Berks EIT. Mr. Weiser stated that there is already a confidentiality agreement signed between the City and Berks EIT. He stated that he has begun working with the City to obtain initial files. He noted his hope that City departments would continue to provide new information on a continuous basis.

Ms. Goodman-Hinnershitz questioned the follow up of Berks EIT if City departments do not supply updated information. Mr. Weiser stated that he would contact the City if information is not received on a regular basis.

Mr. Marmarou stated that residents may know of someone who is not reporting income. He questioned to whom that person should report the information. Mr. Weiser requested that Berks EIT should receive this information. He stated that most employers report information correctly and know that there are penalties if caught.

Mr. Marmarou stated that there are many home businesses which are unknown and many cash businesses who under-report income and the correct number of employees. Mr. Weiser stated that his staff will be searching out these businesses. He stated that Berks EIT will also be cross-referencing the City's EIT and LST databases to be sure all taxpayers are remitting

both taxes. Ms. Weidel added that the City also cross-references these databases and audits businesses as needed. She stated that letters are sent and if there is no response, the business is prosecuted.

Mr. Sterner noted his concern with the amount of new, small businesses which open in the City on a regular basis. He questioned if Berks EIT would be working with the zoning office as new approvals are made. Ms. Weidel stated that the City has the ability to run reports to find these new businesses. She stated that letters are sent to those who do not apply for a business privilege license.

Mr. Sterner stated that many businesses are transient or underground. Mr. Weiser stated that this is the case outside the City as well.

Mr. Sterner questioned if Berks EIT currently collects for all municipalities in Berks County. Mr. Weiser stated that they work with 15 school districts and 60 municipalities.

Ms. Kelleher questioned if Berks EIT would report names and addresses to the City for all those paying LST and EIT so that Per Capita taxes can also be collected. She stated that this may also assist the City in locating unregistered rental properties. Mr. Weiser stated that he will share information with the City on a regular basis.

Mr. Waltman stated that most of this information hinges on the City's business privilege license. He stated that the City must improve this process to increase collection of EIT and other taxes. Mr. Weiser stated that communication has improved since Ms. Weidel has joined the Committee. He stated that they have been meeting for approximately two years since the passage of State Act 32. He stated that one collector will improve finding those who are not filing tax returns as the information is shared among municipalities more easily.

Mr. Waltman questioned if Berks EIT would be working on collection of prior year taxes. Mr. Weiser replied affirmatively.

Mr. Sterner stated that work with the City would be larger than other surrounding municipalities. He questioned if there is enough personnel to perform the necessary tasks. Mr. Weiser stated that Berks EIT is adding staff, a portion of which will be bilingual.

Ms. Goodman-Hinnershitz expressed her belief that there are baseline expectations to track collection improvement. She noted the need for performance measures.

Mr. Acosta noted the need for the City to improve its policies to improve the collection process.

Mr. Cituk requested an estimate of conversation time – when funds would be received by the City. Mr. Weiser stated that LST would begin in January with EIT fourth quarter being

payable in December. He stated that the City should receive their first payment in March. He stated that it is his hope to send funds to the City on a monthly basis beginning in July.

Mr. Sterner questioned if Berks EIT is able to begin quickly. Mr. Weiser stated that Berks EIT is already prepared to begin.

Mr. Waltman expressed his belief that the City needs assistance finding all those who should be paying.

Mr. Marmarou stated that some local businesses have facilities in multiple municipalities. He questioned how this would affect collection. Mr. Weiser stated that taxes are paid to each municipality as necessary. He stated that Berks EIT is in a better position than the City to be sure that those who cross municipal lines pay each municipality as necessary.

Mayor McMahon arrived at this time.

II. Review October Financial Statements

Mr. Geffken reviewed the income statement and cash flow statement for the month of October. He stated that the City must better manage cash flow after the City is no longer collecting tax revenue. Mr. Geffken stated that the cash flow report has been changed to a weekly report to allow the City to better calculate cash needs.

Mr. Sterner stated that after ten months, most receivable amounts are under where they should be. Mr. Geffken stated that this may be due to the timing of some receivables. Mr. Cituk explained that many receivables are not collected in a consistent monthly amount.

Ms. Goodman-Hinnershitz stated that Council should have been receiving these reports for years. She questioned if Council would have been aware of the sewer fund transfer if they had been received. Mr. Geffken stated that Council would have seen the transfer as an income source on the cash flow statement. Mr. Cituk stated that Council should have been receiving these reports for decades.

Mr. Waltman questioned if the EIT fund was co-mingled with the general fund. Mr. Geffken stated that these are separate funds. He stated that the sewer fund and general fund had been co-mingled but that they have now been separated.

Mr. Waltman noted that Council needs to know the Administration's financial policy and process.

Mr. Acosta noted that this transfer issue should not occur again in the future.

III. CD Report

Mr. Robinson reported that there is \$267,000 unspent in 2009 demolition funding. He stated that this will be used for the Reed St and McKnight St demolition projects which were estimated at \$213,000.

Mr. Robinson stated that the HOME deficit was an error on the part of the CD Department and has been corrected.

Mr. Robinson stated that the 2009 allocation of \$76,000 for Homeless Prevention Administration will have partial spending as \$20,000 will be given to the Homeless Coalition.

Ms. Goodman-Hinnershitz questioned if CD staff was attending Homeless Coalition meetings. Mr. Robinson stated that either himself or Dan Wright attend each monthly meeting.

Mr. Waltman noted the need for demolition projects to be completed in a more timely fashion. He described the condition of the McKnight St property and suggested that demolition contracts contain a timeline. Mr. Robinson stated that demolition contracts generally provide 18 months for completion.

Mr. Robinson reported that 2010 funding of parks and playgrounds is lagging. He noted the work of Charlie Jones to move these projects forward.

Mr. Waltman stated that demolition contracts should be completed more timely. Ms. Reed stated that the contract allowed for debris to be moved from site to site.

Mr. Geffken stated that the debris should be removed after the building materials are crushed. Ms. Reed stated that the building has been crushed at the McKnight St location and is causing problems for residents.

Mr. Robinson stated that he is pursuing loans made by the City prior to 2000. He stated that loans made after 2000 are performing. Those loans made prior to 2000 will be collected as able and those which are uncollectable will be removed from the books. He stated that there is potential for collection of \$2 million. He stated that there will be a resolution to remove these loans from the books in front of Council by December 31.

Mr. Acosta questioned what was done to collect these outstanding loans. Mr. Younger stated that letters were sent to all businesses.

Ms. Reed suggested a second "Wall of Shame" to publicize those who have not repaid their loans.

Ms. Goodman-Hinnershitz questioned the progress of the park projects. Mr. Robinson stated that some projects are in the bidding stage and that others are complete but have not yet been invoiced. He stated that this is also the case with some street paving projects.

Ms. Goodman-Hinnershitz described the condition of Neversink playground. She stated that the fence has been removed but not replaced. She stated that the ball field needs fencing.

Mr. Acosta requested the date of the last rehab of Neversink playground.

Mr. Sterner reminded Mr. Robinson of the need for speed control near Hillside playground. Mr. Robinson stated that Mr. Jones had acquired a quote for speed tables and will follow up with him.

Mr. Sterner described the safety issues created by speeding at 14th & Green Sts. He stated that he would appreciate funding for this project. Mr. Robinson stated that the City has been fortunate that the street paving costs were under budget and there will be funding to be re-programmed.

Mr. Marmarou stated that there are differing types of speed control devices. He stated that parking on both sides of 14th St may necessitate a specific type of speed control device.

Mayor McMahon stated that these installations also require warning signage.

Mr. Robinson reported that he expects a \$30,000 UDAG payment from a loan. He stated that a lump sum of \$3 million is due on this loan in four years.

Review IT Report

Mr. Geffken reviewed the report.

Ms. Reed questioned if there were employees who continued to not attend the basic training sessions. Mr. Geffken stated that there are several employees who will be addressed as they do not attend and can be disciplined.

Ms. Reed questioned if the untrained employees were in a certain department. Mr. Geffken stated that they were not.

Mr. Waltman stated that the quality of life ticketing program was 99% complete. He questioned what work was remaining. Mr. Geffken stated that a change was made and needs testing before the project is complete.

Mr. Waltman stated that the data integrity is not addressed in this report. Mr. Geffken stated that the software purchase for this project is included in the Capital Budget.

Mr. Waltman questioned the work flow to maintain the cleansed data. Mr. Geffken stated that the City is working toward a policy. He stated that in the past the City had to take the information from the Assessment Office and that this information was occasionally faulty. He stated that the City could not change this information.

Mr. Waltman voiced his concern that there was no process in place to maintain the data.

Ms. Goodman-Hinnershitz noted the need for the Administration to show this process to Council to ensure that progress is made. She noted her concern about the City working with two databases.

Mr. Waltman stated that Council will be voting on the Capital Budget on November 22. He stated that he may request the removal of this item.

Mr. Geffken reiterated that the City must use the County Assessment Office data. He stated that if the County performs property tax billing the City will no longer be required to accept their information. He stated that all City departments control their own data. He stated that he is moving to sync data between departments and that the software will keep the data clean.

Ms. Kelleher explained that the Assessment Office and Call Center enters the data by hand. She stated that this allows for more chance of error.

Ms. Goodman-Hinnershitz questioned the timeframe for the City to reconcile this information. Mr. Geffken stated that the City will no longer need to reconcile this information. He again stated that the software will keep the City's data accurate.

Delinquent Collection Update

- Per Capita Tax

Ms. Weidel stated that Linebarger continues to collect this delinquent tax but that the pace has slowed. She stated that the Tax office has been working to update their records as necessary.

- Earned Income Tax

Mr. Geffken stated that Linebarger has been unresponsive to collecting this tax. He stated that Berks EIT is willing to collect this tax for the City.

Mr. Waltman questioned an amount of delinquencies that could be collected. Mr. Geffken stated that this is unknown since at this time it is not known who has not paid.

- LST

Mr. Geffken stated that Linebarger does not collect this tax.

- Permits & Miscellaneous

Mr. Geffken stated that he will supply this information to Council.

Mr. Sterner clarified that all those residing in the City over the age of 18 must pay Per Capita Tax. He stated that tenant lists should be used to bill Per Capita. He questioned how tenant lists were updated. Mr. Geffken stated that he did not know.

Mr. Marmarou stated that he has had a report that those living in City high rises do not pay Per Capita Tax. Ms. Weidel stated that some do not pay (but should be paying) but that she contacts the buildings regularly to keep this information updated.

The number of high rises in the City was questioned. It was stated that there are approximately 15 high rise apartment buildings and two housing projects.

Ms. Goodman-Hinnershitz stated that the City must get the names of these residents as this is an incredible source of income. She noted the need to boost collection of Per Capita. Ms. Weidel stated that if individuals file a tax return, they are billed for Per Capita. She noted the difficulty of tracking a transient population.

Mr. Acosta stated that some public housing information is confidential. He stated that the Housing Authority may be willing to share information that is not protected by law.

Ms. Goodman-Hinnershitz requested a legal review of this issue.

Mr. Sterner suggested that all cars parked within the City be charged a fee to park on the street. Mr. Acosta reminded all of the residential parking permit process.

The meeting adjourned at 6:32 pm.

Respectfully Submitted
Linda A. Kelleher, CMC
City Clerk